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OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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DIA and DOS review(s) completed.

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THE ARAB-ISRAELI SITUATION
25X1A [REDACTED]

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1. IRAQI TROOP MOVEMENT INTO JORDAN POSTPONED

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The move of Iraqi troops into Jordan scheduled for 15 October has been delayed, according to Iraqi prime minister Nuri Said. A new date for the entry

will depend on the outcome of Iraqi-Jordanian talks which began in Amman on 14 October. Nuri told Ambassador Gallman that the move had not been abandoned but postponed because of the sharp Israeli reaction and Iraq's desire to obtain a "written request" from Jordan.

Comment

The postponement is probably due mainly to the uncertainty in Iraq caused by the strong Israeli reaction. Iraq is probably also encountering difficulties with Jordanian officials as to the size of the force, command responsibilities and duration of stay.

Jordan is under pressure from other Arab states who fear predominant Iraqi influence. Despite British assurances that the Anglo-Jordanian treaty would be honored if Israel used the entry of Iraqi troops to attack Jordan, Jordan and Iraq probably have doubts as to the extent of British support should an outbreak occur.

A usually reliable source has told the American army attaché in Baghdad that Iraqi army reconnaissance of supply points inside Jordan has been completed and the movement of supplies forward has begun

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**2. GOMULKA MAY APPROACH UNITED STATES
25X1A FOR LOAN**

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The Belgian minister to Poland claims to have accurate information that Wladyslaw Gomulka will be named vice premier and politburo member at the central committee plenum now scheduled to meet 18 October and that he is considering requesting large-scale assistance from the United States. The American ambassador comments that the Belgian minister seems to have close friends in the Polish hierarchy and his story may be a regime-inspired trial balloon.

According to this report, Gomulka has prepared a new economic plan--which the regime will accept--calling for large sums for modernizing Polish industry and purchasing raw materials. The Poles have reportedly been told by the USSR that it cannot give any additional aid, and that the Russians therefore approve Gomulka's plan.

Comment

The resignation of Hilary Minc from the politburo and as first deputy premier last week set the stage for Gomulka's return to office.

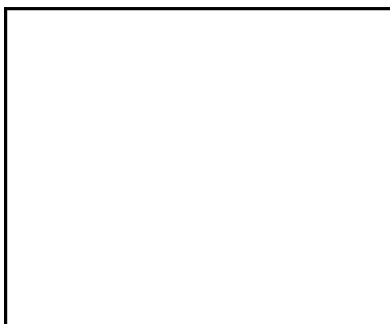
Several Polish officials, in informal conversations with Westerners, have stressed their belief that only American aid could improve the Polish economy.

In addition, a prominent Polish editor recently called for a re-evaluation of the effect of the Marshall Plan, and concluded that anyone who looked at the booming economy of Western Europe today could see that the Communists had been wrong when they claimed the plan would bring about industrial regression and impoverishment of the masses. This is the first public praise of the Marshall Plan from a Soviet bloc country.

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3. CHOU EN-LAI PROTEST ON HONG KONG RIOTS

25X1A Comment on:



Premier Chou En-lai's statement to Western newsmen on 14 October that Communist China could not "permit" such disorders as the Hong Kong riots to take place on its doorstep reflects Peiping's sensitivity to the anti-Communist aspects of the riots. Continued diplomatic pressure from Peiping, however, seems certain in view of the official Chinese protest to the British, which reserved the right to make "further demands" on the matter.

In his formal note of protest delivered to British chargé d'affaires O'Neill in Peiping on 13 October, Chou En-lai expressed Communist China's "indignation and concern" over the riots. He blamed Chinese Nationalist agents for inspiring the violence and accused the Hong Kong government of failure to provide adequate protection for the colony's two million Chinese residents.

The Chinese Communists will probably renew their efforts to obtain official representation in the colony and a more intensive covert infiltration of the Hong Kong Chinese community. [REDACTED]

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4. POLITICAL CRISIS IN CAMBODIA

25X1A Comment on:

Prince Sihanouk's resignation as premier for the third time this year may leave Cambodia without leadership for some time. Although Sihanouk announced he was quitting because of "fatigue" and "budgetary difficulties," the real reason is undoubtedly conflict with the two "strong men" in his cabinet, Defense Minister Prince Monireth and Minister of Internal Security Dap Chhuon. Sihanouk is said to be particularly opposed to stiff measures against corruption desired by these men.

Cambodia's economic and political stability has suffered severely during 1956 as a result of four changes in government, none of which provided effective administration. This instability has been aggravated by Sihanouk's controversial neutralist policy.

In view of the pressing need for strong government, it is possible that Sihanouk's present cabinet, one of Cambodia's ablest, may be retained with a new premier. Sihanouk, however, has the resignation of all cabinet members "in his pocket," which may indicate that he intends to rule again by appointing a figurehead. Unless a strong leader, such as Monireth or Dap Chhuon, takes over, this would mean another caretaker government in which capable men would be loath to serve.

5. HUNGARIAN EX-PREMIER NAGY READMITTED TO PARTY

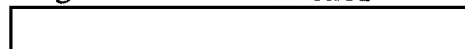
25X1A Comment on:

The readmission to the Hungarian party of Yugoslav-supported ex-premier Imre Nagy, announced on 14 October, paves the way for the formation of a more

moderate Hungarian government at the 29 October special National Assembly meeting. Nagy may be appointed to an influential position, possibly the head of the Patriotic People's Front. A number of Nagy's policies have already been partially or completely accepted by the current leadership.

Before his reinstatement Nagy apparently reached a limited compromise with the regime. He stated in a letter to the central committee on 4 October that he was willing to abide by the decisions of the party, but pointed out his continued disagreement with some of its current policies. He also admitted that he made some mistakes, but said that he is unwilling to discuss these until such time as the regime permits a full and public discussion of his ouster.

Nagy's return to the party coincides with the departure on 14 October of Hungarian leaders for Belgrade to hold talks with Yugoslav leaders. On the same day, the Hungarian press hailed Yugoslavia's "unswerving progress" in building socialism and national independence, and initiated an active anti-Rakosi campaign, condemning the former leader for "disgracing the cause of socialism."



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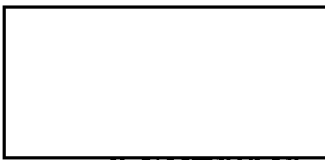


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**6. AUSTRIAN SOCIALISTS DOUBT THEY CAN BLOCK
ACCEPTANCE OF SOVIET LOAN**

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Austrian Socialists feel they will be unable to prevent acceptance of a Soviet loan which First Deputy Premier Mikoyan may offer when he arrives in Austria on

2 November, the Socialist parliamentary leader informed Ambassador Thompson on 12 October.

The Soviet embassy in Vienna is trying to influence the conservative People's Party as well as the Socialists--the two parties comprising the coalition government--to accept a loan to modernize Vienna's public transportation system, including the construction of a subway, and to assist the industrial complex formerly controlled by the USSR.

Comment

Last year a Soviet proposal for a substantial loan to the Lower Austrian provincial government, where most of the formerly Soviet-controlled industries are located, was turned down largely as a result of Socialist efforts. The Socialists are now in a poor position to block Soviet loan offers since they lost ground to the People's Party in the May national election. The People's Party now controls the Austrian parliament.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 15 October)

An Israeli military patrol on 14 October was reported to have killed two Egyptian guerrillas and captured two others near the central Negev settlement of Sde Boker, occasional residence of Prime Minister Ben-Gurion. 25X1A

Jordan on 15 October formally asked for a meeting of the UN Security Council "as soon as possible" to consider the "most serious situation" created by the Israeli assault on Jordanian positions at Qalqiliya on 10 October. The council is expected to meet on 18 October to consider the complaint. 25X1A

In a new warning aimed at Britain, the Israeli Foreign Ministry declared "whoever encourages or abets Iraq, actively or passively, in the realization of its schemes takes upon himself a grave responsibility." British efforts to allay Israeli suspicions over the proposed movement of Iraqi troops into Jordan have thus far been unavailing. 25X1A

The British ambassador in Jordan has informed the American ambassador that King Hussain requested British air support during the 10 October Israeli attack on Qalqiliya. The Jordanian request was relayed to London and no further action taken. Next day, however, the RAF squadron in Jordan conducted demonstration patrols east of the Jordan River, after which King Hussain protested because the patrols were not extended over West Jordan. The British ambassador has suggested that the RAF undertake some air activity along the Jordanian-Israeli border as a demonstration of British interest. 25X1A

According to the acting chief of Israeli intelligence, Colonel Neeman, the morale and esprit of Jordanian troops engaged in the Qalqiliya action on 10 October were excellent. Israeli forces received the impression that Jordanian troops had overcome their fear of night fighting--long a major weakness of Arab forces. As a result of talks with Colonel Neeman, the

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American army attaché in Tel Aviv believes that the attack was not a complete success for the Israelis and that casualties must have been substantially greater than admitted by the government.

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northern Jordan in the area adjacent to Lake Tiberias. Any multilateral Arab military intervention in Jordan would create very strong pressures in Israel for a military response.

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Although the Qalqiliya raid offers a new excuse to cancel the Jordan lower house elections, King Hussain and the cabinet are reported still determined to proceed with the voting. The recent Israeli raids have strengthened the support of the pro-Egyptian extremists, and weakened the chances of moderate or pro-Western candidates. If the elections are held as planned, Hussain is probably counting on the presence of Iraqi troops to support government efforts to limit ultranationalist gains.

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(For another report dealing with the Arab-Israeli situation, see item 1, p. 3.)